

This letter discusses tax liabilities in regards to construction contracts to engineer, install and maintain, data, voice, video, security and telecommunications equipment for the improvement of real estate. See 35 ILCS 120/1. (This is a GIL).

September 2, 2004

Dear Xxxxx:

This letter is in response to your letter dated June 29, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I have a client that installs telephone and data communication system wiring as well as phone systems. They have recently been contemplating leasing phone systems to clients. We wish to know what the sales tax implications are on phone system leasing transactions. A review of your publications turned up leasing of vehicles and aircraft, but not the leasing of other items. The leases they are contemplating would be both longer than one year and in some cases shorter than one year.

Your help is greatly appreciated.

DEPARTMENT'S RESPONSE:

The State of Illinois taxes leases differently for Retailers' Occupation Tax and Use Tax purposes than the majority of other states.

For information regarding the tax liability of leasing situations please see 86 Ill. Adm. Code 130.2010. In addition, please see general information letter ST 03-0011-GIL, which may be found among the "Sunshine" letter rulings on the Department's internet website.

General information letter ST 03-0030-GIL, addresses Service Occupation Tax and Use Tax liabilities in regards to construction contracts to engineer, install and maintain, data, voice, video, security and telecommunications equipment for the improvement of real estate.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk